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Satisfied workers, Seekers and Non-participants: The impact of employment downturns and recovery cycles on labour force participation, 1981 to 2018.

Since the early 1980s, there have been three distinct employment downturns and accompanying periods of recovery. These episodes have been of varying lengths and severity, as follows:

1980s downturn (1981-1989):

- Unemployment rate rose from 5.6% to 10.3% between May-81 and Jul-83

1990s downturn (1989-2000):

- Unemployment rate rose from 5.9% to 11.1% between Oct-89 and Nov-92

Global Financial Crisis (2008-2018):

- Unemployment rate rose from 4.2% to 5.8% between Mar-08 and Jul-09

Analysis of labour force participation across these episodes focuses on the spike in the unemployment rate as an indicator of the severity of the downturn. The length of time it takes for the unemployment rate to recover to pre-spike levels is often regarded as an indicator of the episode duration, signalling the completion of the episode.

By looking beyond the unemployment rate to the broader measures of labour force participation collected in supplementary Labour Force surveys - historically, the Persons Not in the Labour Force Survey (PNILF), and since 2015 the Participation, Job Search and Mobility Survey (PJS) - we can further explore the impact of changing labour market dynamics that evolve from these episodes.

To simplify the analysis, we will categorise male and female Australians into three distinct groups:

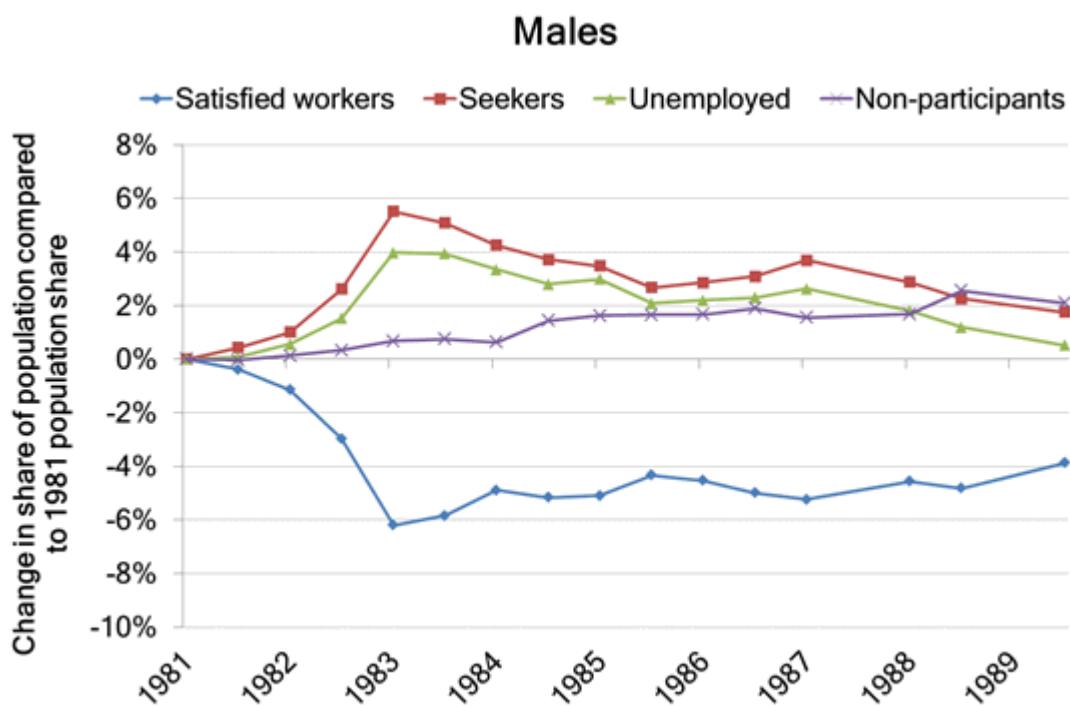
- “Satisfied workers”
 - Full-time workers
 - Part-time workers who are happy to work part-time
- “Seekers”
 - Full-time workers who involuntarily worked part-time hours (Underemployed)
 - Part-time workers who would prefer to work full-time (Underemployed)
 - Part-time workers who would prefer more part-time hours (Underemployed)
 - Workers who had been on leave without pay for 4 weeks or more (Marginally attached)
 - Job Seekers who had found a job but had not yet started working (Future starters)
 - Job Seekers who were actively looking for work and ready to start (Unemployed)

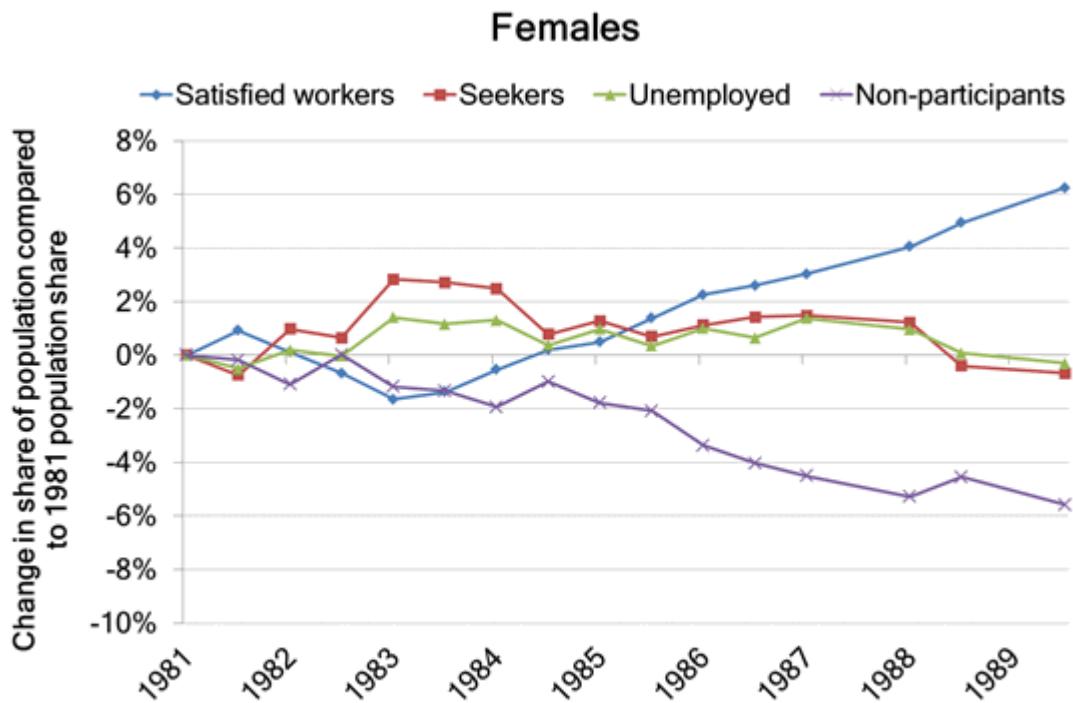
- o Job Seekers who were actively looking for work but not ready to start (Marginally attached)
- o Job Seekers who wanted to work and were ready to start, but were not actively looking (Marginally attached)
- o Job Seekers who wanted to work and were ready to start, but had become discouraged and stopped looking (Discouraged job Seekers)
- "Non-participants"
 - o Would like to work, but were not ready to start and not looking
 - o Did not want to work
 - o Retired
 - o Permanently unable to work

The following graphs look at how the size of each group rises or falls in response to an employment downturn. The figures are expressed as a percentage of the total population, and the rise or fall is measured in comparison to the start of each episode. For example, when male Satisfied workers fall by 6%, this means that 6% of the male population have left the Satisfied workers group since the start of the cycle. This fall is balanced by a corresponding rise of 6% split across the remaining male groups – Seekers or Non-participants.

The sub-group within Seekers who are actively participating and available to start work are defined as the Unemployed. This is the group that is used to calculate the official Unemployment rate. They are included separately in the graphs for comparison purposes. Note that the Seekers group still includes the Unemployed when presented in the graphs.

1980s episode (1981-1989)

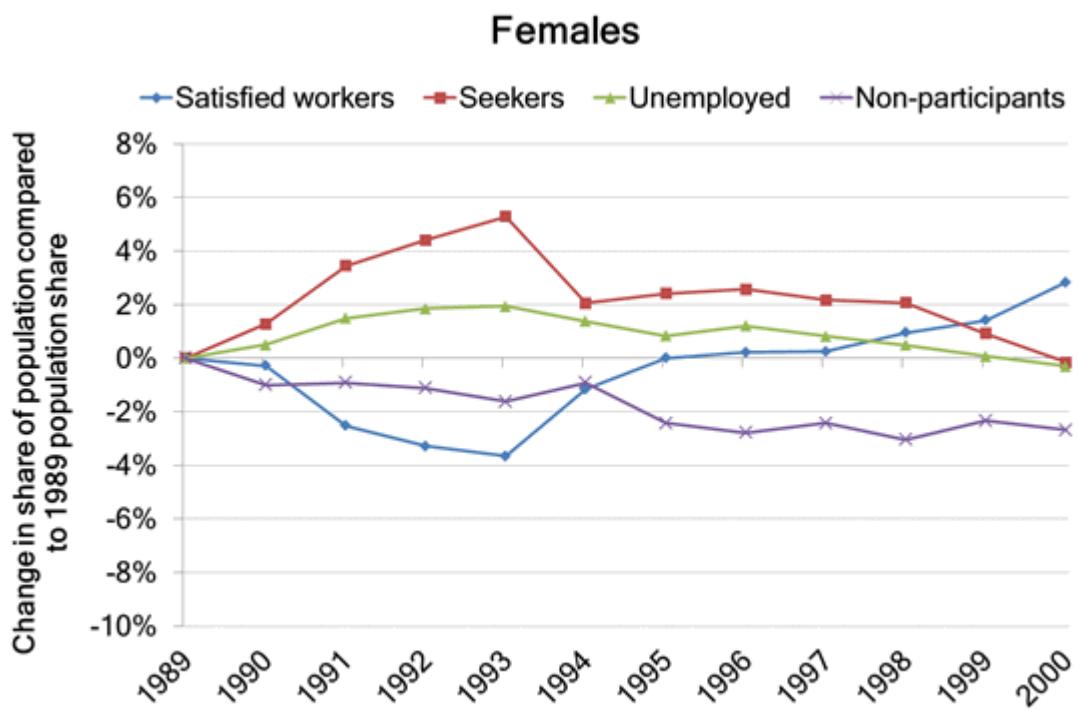
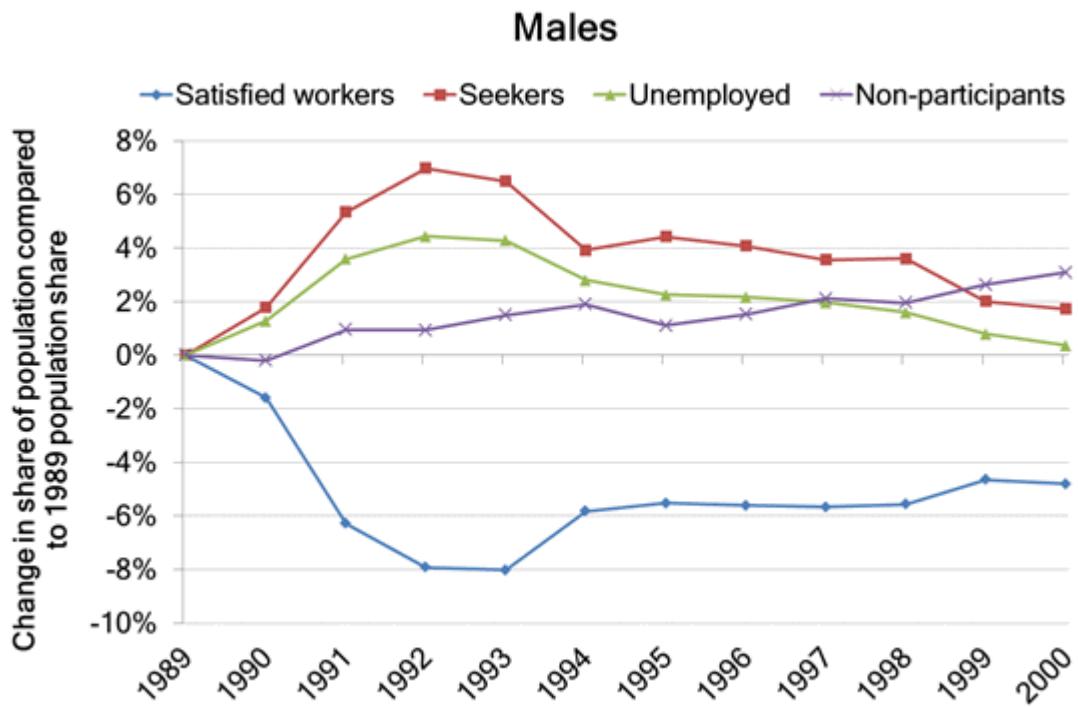




For the period 1981 to 1989, the proportion of males who were unemployed rose by 4.0% in 1983, and mostly recovered over the decade to be 0.5% higher in 1989. However, the total proportion of Seekers rose by 5.5% in 1983 and only partly recovered to still be 1.8% higher by the end of the cycle. With a greater proportion of males still searching in 1989, there was a corresponding fall in Satisfied workers of 3.9%, and an increase of 2.1% in males who were Non-participants.

With fewer males in the Satisfied workers category, women stepped into the work force to compensate. Females in the Satisfied workers category increased by 6.2% between 1981 and 1989, with a corresponding fall in females who were Non-participants (5.6%). The female Seekers group rose by 2.8% in response to the downturn, but fell to levels below those in 1981 by the end of the cycle (0.3% less).

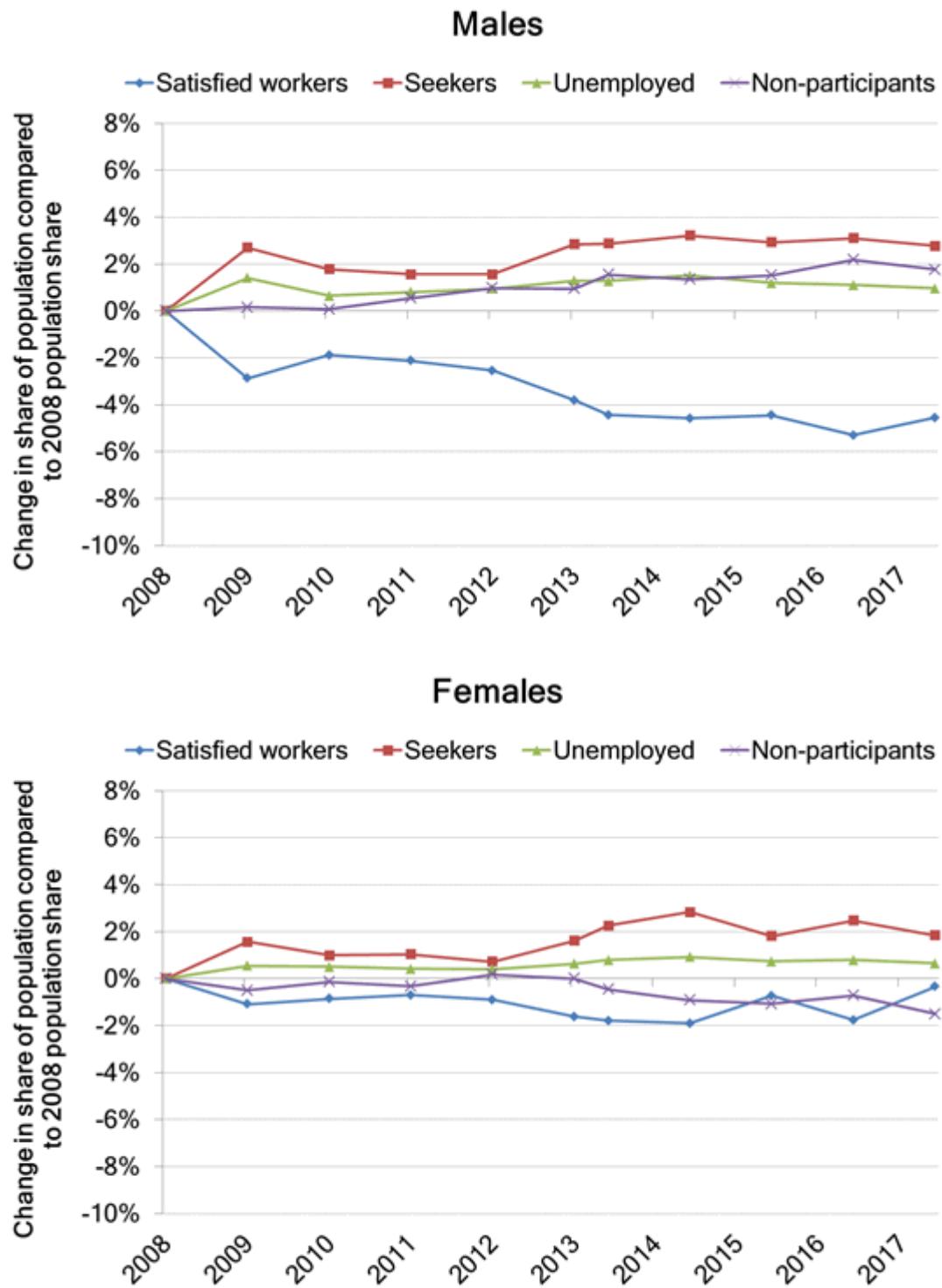
1990s episode (1989-2000)



For the episode between 1989 and 2000, the proportion of unemployed males rose by 4.4% in 1992 and returned to just 0.4% higher at the completion of the cycle. Once again, the proportion of male Seekers rose higher and remained higher at the end of the cycle. There were 7.0% more male Seekers in 1992, with 1.7% more Seekers still looking in 2000. The proportion of male Satisfied workers fell by 8.0% in 1993 and remained 4.8% lower by 2000, with a 3.1% increase in males who Non-participants making up the difference.

Females in the Satisfied workers group also felt the pinch of the 1990s downturn, falling by 3.7% in 1993, but recovered to parity in 1995, and were 2.8% higher by the end of the cycle. Total female Seekers and Unemployed rose to 5.3% and 1.9% respectively in 1993, but reverted by the end of the cycle (0.2% and 0.3% lower respectively). Females who were Non-participants continued to fall, 2.7% less by the end of the cycle.

The Global Financial Crisis (2008-2018)

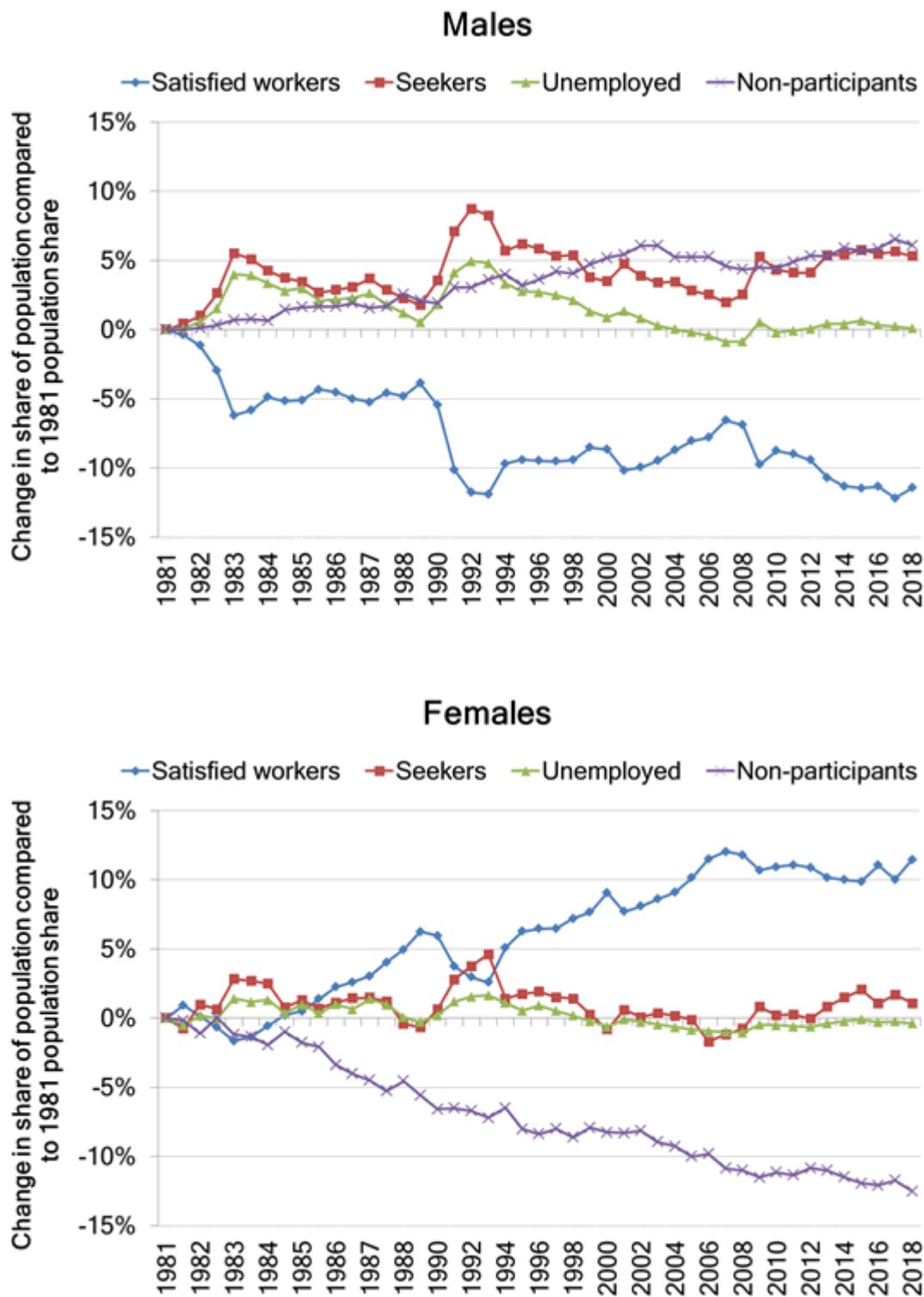


The current episode, which began in 2007-08 with the Global Financial Crisis (GFC), started with the proportion of male Satisfied workers initially falling by 2.9% in 2009. After a short recovery, male Satisfied workers have largely continued to fall to 5.3% lower in 2017 (4.5% lower in 2018). Conversely, male Seekers increased to 2.7% higher in 2009, recovered briefly, but rose again to 3.2% higher in 2015 and have remained high (2.8% higher in 2018). Non-participant males increased over the period to be 1.8% higher in 2018.

Female Satisfied workers have also fallen, but to a lesser extent than male Satisfied workers, falling no more than 1.9% over the period with female Satisfied workers 0.3% lower in 2018. Female Seekers have risen over the period, rising to 2.8% higher in 2015 and remaining high at 1.8% in 2018. Non-participant females continued to decline, falling by 1.5% in 2018.

At this stage, it's difficult to comment on whether the recovery from the GFC has reached its completion, is nearing the end of the episode, or if it will continue for some time to come. The end of the episode won't be known until the start of the next employment downturn.

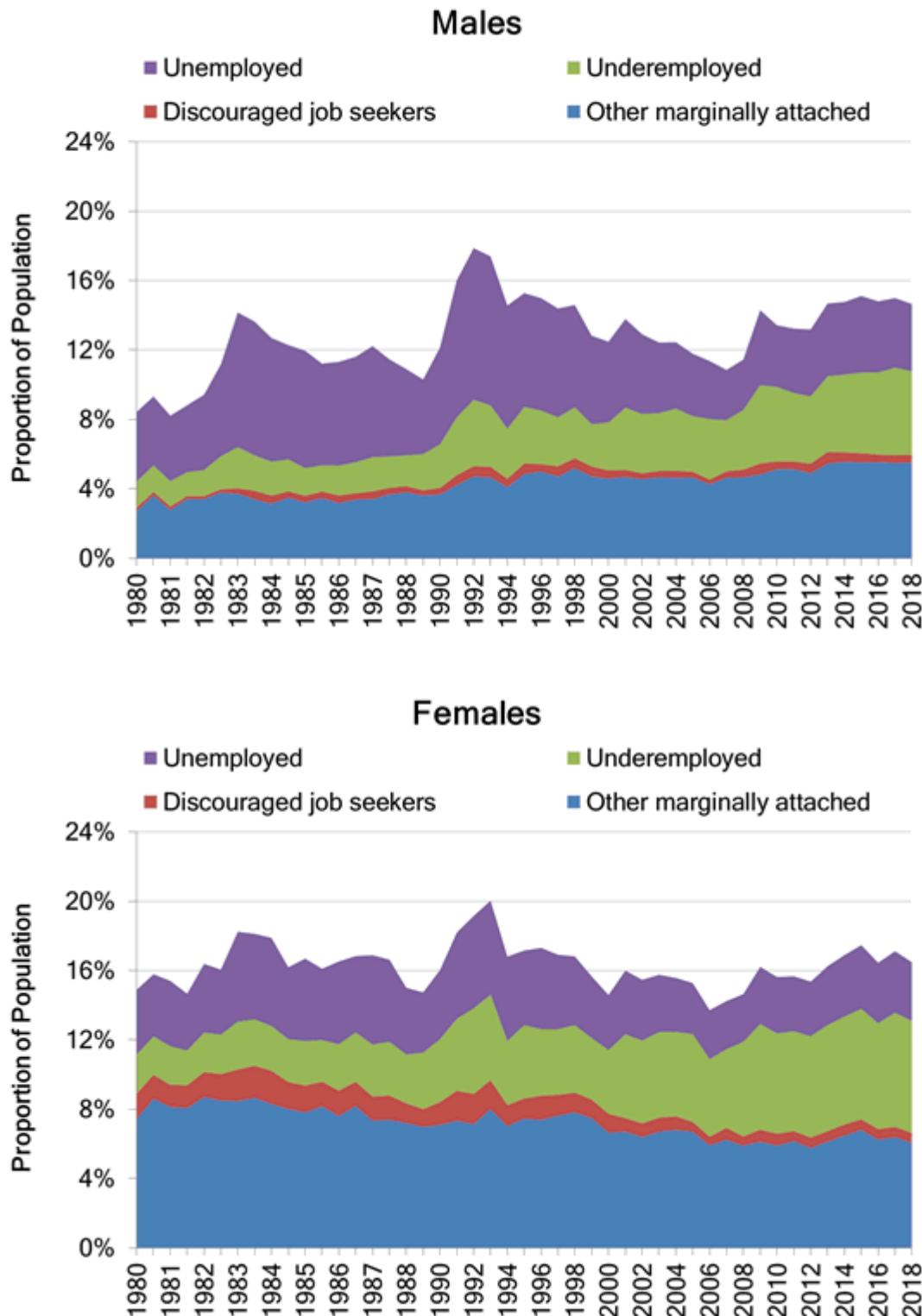
Full timespan (1981-2018)



Between 1981 and 2018, the overall shift in the male Satisfied workers group has been an 11.4% decrease, which has been partially counter-balanced by an 11.4% increase in female Satisfied workers. Proportions of unemployed have also largely remained balanced, returning to near 1981 levels (0.1% higher for males, and 0.4% lower for females).

Underlying this balance are level shifts in the Seekers and Non-participants groups. Female Satisfied workers were largely supplied by a 12.5% decrease in Non-participants females, whereas Non-participants males increased by 6.1% over the same period. Both male and female Seekers have increased between 1981 and 2018, with 5.3% more males and 1.1% more females.

Seekers (1981-2018)



The impact of the 1980s and 1990s downturns on male Seekers initially resulted in high levels of actively participating unemployed males, but the recovery phases of these downturns saw a gradual increase in marginally attached and discouraged job seekers that continues through to 2018, rising from 2.3% of the male population in 1981 to 4.2% in 2018. Conversely, the

proportion of female Seekers who were marginally attached and discouraged has fallen from a high of 10.5% in 1983 to 6.6% in 2018. Female discouraged job seekers alone have fallen from a high of 1.9% in 1984 to 0.6% in 2018.

Since a peak of 3.8% in 1992, the proportion of males who were underemployed has remained largely level until the GFC in 2008 when they increased to 4.5% and continued to increase to 5.0% in 2017 (4.8% in 2018). The proportion of underemployed females also peaked in the 1990s downturn with 4.9% in 1992, but began to rise again at the onset of the 2000s downturn, earlier than the underemployed males, returning to 4.9% in 2003 and continuing to rise to 6.6% in 2017, with 6.4% of women underemployed in 2018.

Conclusion and possible extensions to the analysis

The labour market outcomes of males and females during the 1980 and 1990 episodes were markedly different to the latest episode. The overall result for both of these earlier episodes was enduring level shifts in the labour market, with the proportion of male Satisfied workers decreasing and female Satisfied workers increasing. In the 1980s, male participation was high and female participation was low (typified by an archetypal single income household, where Dad goes to work and Mum stays at home). The result of the 1980s and 1990s episodes were to bring male and female labour market outcomes closer together. As the labour profiles of men and women were relatively more similar entering the GFC episode (now typified by double income households), the impact of the most recent episode affected males and females in much the same way, unlike episodes of the past. Both men and women have seen falls in the proportion of the population who are working and increases in the proportion who are seeking jobs or more hours, with neither returning to the pre-2008 proportions in the last decade.

The analysis above examines the changes in composition of labour supply in isolation. Incorporating the broader economic story into the analysis may shed further light on the results above. Other components which may be useful to examine in conjunction with this labour supply data include:

- the changing industry composition of the Australian economy;
- aging population/workforce;
- fertility rates;
- increasing participation of women in the Australian labour market;
- changing policy and its impact on labour market supply (for example increasing retirement ages, or changing immigration targets); and
- broad economic shocks, such as shocks to retirement savings, which may impact an individual's labour supply decisions.

Further Information

Further details can be found in *Participation, Job Search and Mobility, Australia, February 2018* (cat. no. 6226.0) available for free download from <https://www.abs.gov.au>.

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